

EXECUTIVE SUMMARY

Mission

“To care for him who shall have borne the battle, and for his widow, and his orphan . . .”

The mission of the Department of Veterans Affairs (VA) is clear and compelling. It guides the efforts of nearly 220,000 employees who are committed to ensuring that VA provides timely, high-quality benefits and services to the millions of men and women who have served this country with honor.

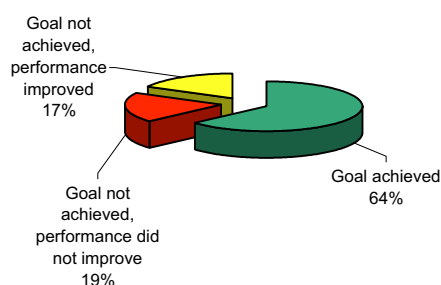
This report documents VA’s progress during fiscal year (FY) 2004 toward meeting the strategic goals and objectives that directly support the Department’s mission. These goals address the nine major programs that VA administers—medical care; medical research; compensation; pension; education; housing; vocational rehabilitation and employment; insurance; and burial.

To help gauge our progress, we established 127 performance goals at the beginning of the fiscal year, 22 of which were identified by VA’s senior leadership as critical to the success of the Department. Our performance goals present a balance of both program outcomes that identify the impact that VA programs have on the lives of veterans and their families and

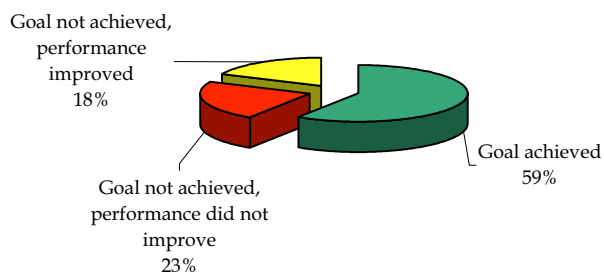
outputs that describe how well we manage and administer these programs. VA’s Performance Scorecard for FY 2004 summarizes how well we did in meeting the key performance goals.

The following summaries highlight VA’s FY 2004 performance associated with each of the Department’s strategic goals. More detailed performance information is presented in Part II of this report (refer to pages 56-164).

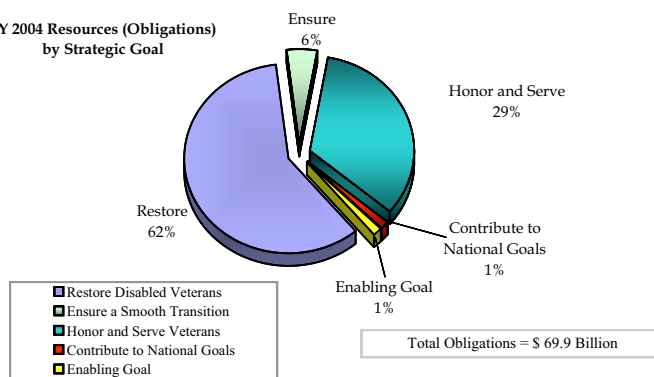
All Measures Performance Results



Key Measures Performance Results



FY 2004 Resources (Obligations) by Strategic Goal



Performance Results

Performance Results by Strategic Goal

Strategic Goal 1

Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families.

VA will restore the capability of veterans with disabilities by maximizing the ability of these veterans, including special veteran populations, and their dependents and survivors to become, to the degree possible, full and productive members of society through a system of health care, compensation, vocational rehabilitation, life insurance, dependency and indemnity compensation, and dependents and survivors education. This system of

benefits and services is aimed toward the broad outcome of restoring the individual capabilities of our Nation's veterans with disabilities.

The following table highlights important VA performance achievements related to Strategic Goal 1 along with estimates of the total resources devoted to this goal and its associated objectives during FY 2004.

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$41,459	59.3%
1.1 Maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.	<ul style="list-style-type: none"> Increased to 86 percent the score on the Prevention Index II for special populations of veterans (goal was 80 percent) Increased to 79 percent the proportion of homeless veterans discharged from domiciliary or residential care settings to an independent or secured institutional living arrangement (goal was 67 percent) 	\$13,121	18.8%
1.2 Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.	<ul style="list-style-type: none"> Improved to an average of 166 days the timeliness for completing rating-related actions on C&P claims (goal was 145 days) Average days pending for C&P rating-related actions increased to 118 days (goal was to decrease to 80 days) Improved to 87 percent the national accuracy rate for C&P core rating work (goal was 90 percent) 	\$27,299	39.0%

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$41,459	59.3%
1.3 Provide all service-disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps.	<ul style="list-style-type: none"> Increased to 62 percent the proportion of all veteran participants who exited the vocational rehabilitation program and found and maintained suitable employment (goal was 67 percent) 	\$676	1.0%
1.4 Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits	<ul style="list-style-type: none"> Reduced to 125 the average number of days to process claims for dependency indemnity compensation (DIC) (goal was 126 days) 99 percent of DIC recipients were above the poverty level (goal was 75 percent) 80 percent of DIC recipients were satisfied that VA recognized their sacrifice (goal was 50 percent) 	\$363	0.5%

Performance Summary

Every action the Department takes must focus first and foremost on the needs of service-connected disabled veterans. They have made enormous sacrifices to help preserve freedom, and many of them continue to live with physical and psychological scars directly resulting from their military service to this Nation. During FY 2004, VA made progress toward achieving the ultimate aim of Strategic Goal 1 through a variety of performance accomplishments focused on providing health care services and other benefits for those who carry the permanent reminders of war.

The following performance achievements demonstrate the progress VA made in addressing the ultimate aim of Strategic Goal 1:

- Established priority access to health care for veterans with service-connected disabled conditions.
- Worked with the Department of Defense (DoD) to ensure that veterans or servicemembers returning with

an injury or illness from Operation Enduring Freedom or Operation Iraqi Freedom have timely access to the Department's special health care services; this includes treatment for spinal cord injuries, traumatic brain injuries, post traumatic stress disorder, prosthetics, and rehabilitation of the blind.

- Made advancements in preventive health care for special populations of veterans, including those with service-connected disabling conditions.
- Reduced the average time it takes to process a claim for compensation and pension benefits.
- Improved the accuracy of our claims decisions.
- Assisted approximately 10,500 veterans with service-connected disabling conditions in obtaining and maintaining suitable employment after completing VA's vocational rehabilitation program.
- Improved the income status of eligible survivors of service-connected disabled veterans, as evidenced by the fact that virtually all survivors were above the poverty level in FY 2004.

Strategic Goal 2

Ensure a smooth transition for veterans from active military service to civilian life.

Veterans will be fully reintegrated into their communities with minimum disruption to their lives through health care, readjustment counseling, employment services, vocational rehabilitation, education assistance, and home loan guarantees.

The following table highlights important VA performance achievements related to Strategic Goal 2 along with estimates of the total resources devoted to this goal and its associated objectives during FY 2004.

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$3,281	4.7%
2.1 Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.	<ul style="list-style-type: none"> • 20 percent of compensation claimants were participants in the Benefits Delivery at Discharge program (goal was 25 percent) • 100 percent of VA medical centers provided electronic access to health information provided by DoD on separated service persons (goal was 100 percent) 	\$641	0.9%
2.2 Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.	<ul style="list-style-type: none"> • Processed original education claims in 26 days (goal was 24 days) • Processed supplemental education claims in 13 days (goal was 12 days) • Maintained a payment accuracy rate of 94 percent (goal was 94 percent) 	\$2,246	3.2%
2.3 Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.	<ul style="list-style-type: none"> • Foreclosure Avoidance Through Servicing ratio declined to 44 percent (goal was 47 percent) 	\$394	0.6%

Performance Summary

One of VA's primary responsibilities is to provide veterans with a variety of benefits and services that help them make a smooth transition from active duty military service to civilian life. The Department assists veterans at the time they are discharged from military service by providing them with information about the benefits for which they are eligible and employing strategies that expedite the process of filing claims for benefits. In addition, VA offers continuing assistance through education and housing benefit programs that help ensure veterans are not placed at a disadvantage after they leave military service.

VA recorded some noteworthy achievements during FY 2004 that helped move the Department closer to reaching the ultimate aim of Strategic Goal 2. The achievements included:

- Conducting the Benefits Delivery at Discharge (BDD) program at 139 sites to help servicemembers transition more smoothly to civilian life; carried out in close cooperation with DoD, the BDD program assists active duty military personnel in filing claims for benefits at or near their time of discharge in order to expedite the processing of their claims.
- Ensuring all medical centers provided electronic access to health information (furnished by DoD) to separated service persons and veterans benefits offices, which helped ensure continuity of health care.
- Processing claims for education benefits in a timely fashion and with great accuracy.
- Guaranteeing over 375,000 home loans worth nearly \$50 billion; about four of every five veterans who used the housing program would not have qualified for a conventional loan.

Strategic Goal 3

Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Veterans will have dignity in their lives, especially in time of need, through the provision of health care, pension programs, and life insurance, and the Nation will memorialize them in death for the sacrifices they have made for their country. VA will achieve this goal by improving the overall health of and providing a continuum of health care for all enrolled veterans and eligible family members. VA will ensure that the burial

needs of veterans and eligible family members are met, and provide veterans and their families with timely and accurate symbolic expressions of remembrance.

The following table highlights important VA performance achievements related to Strategic Goal 3 along with estimates of the total resources devoted to this goal and its associated objectives during FY 2004.

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$23,293	33.3%
3.1 Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the cost, and those statutorily eligible for care.	<ul style="list-style-type: none"> • Increased to 77 percent the score on the Clinical Practice Guidelines Index (goal was 70 percent) • Increased to 88 percent the score on the Prevention Index II (goal was 82 percent) • Increased the percent of primary care appointments scheduled within 30 days of the desired date to 94 percent (goal was 93 percent) • Increased the percent of specialist appointments scheduled within 30 days of the desired date to 93 percent (goal was 90 percent) • Maintained a score of 74 percent of patients rating VA health care service as "very good" or "excellent" for inpatients (goal was 70 percent); achieved a score of 72 percent for outpatients (goal was 72 percent) • Increased to 29,631 the non-institutional long-term care average daily census (goal was 29,631) 	\$17,568	25.1%

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$23,293	33.3%
3.2 Process pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity.	<ul style="list-style-type: none"> Improved to an average of 166 days the timeliness for completing rating-related actions on C&P claims (goal was 145 days) Average days pending for C&P rating-related actions increased to 118 days (goal was to decrease to 80 days) Improved to 87 percent the national accuracy rate for C&P core rating work (goal was 90 percent) 	\$3,501	5.0%
3.3 Maintain a high level of service to insurance policy holders and their beneficiaries to enhance the financial security for veterans' families.	<ul style="list-style-type: none"> Reduced to 1.8 days the average days to process insurance disbursements (goal was 2.7 days) 	\$1,912	2.7%
3.4 Ensure that the burial needs of veterans and eligible family members are met.	<ul style="list-style-type: none"> Increased the percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence to 75.3 percent (goal was 75.3 percent) Maintained the percent of respondents who rated the quality of service provided by the national cemeteries as excellent at 94 percent (goal was 95 percent) 	\$247	0.4%
3.5 Provide veterans and their families with timely and accurate symbolic expressions of remembrance.	<ul style="list-style-type: none"> Increased the percent of graves in national cemeteries marked within 60 days of interment to 87 percent (goal was 78 percent) 	\$65	0.1%

Performance Summary

VA recorded many significant accomplishments during FY 2004 that focused on the goal of honoring veterans in life and memorializing them in death for the sacrifices they made on behalf of the Nation. This strategic goal encompasses four of the Department's nine programs—medical care, pension, insurance, and burial. We made good progress in delivering timely, high-quality benefits and services in these areas.

As notable examples of our progress toward reaching the ultimate aim of Strategic Goal 3, VA:

- Improved the quality of patient care beyond levels that had already been recognized as leading the health care industry; by increasing the degree to which we followed nationally recognized clinical practice guidelines, our health care delivery led to improved health outcomes for our veteran patients.
- Enhanced access to health care by providing more timely appointments for both primary and specialty care services, and by expanding opportunities for veterans to receive long-term care in non-institutional settings such as community-based care and health care provided in the patients' own homes.
- Reduced the time required to process claims for compensation and pension benefits, while at the same time improved the high degree of accuracy with which these claims were processed.
- Lowered the average number of days to process insurance disbursements, with particular emphasis on expeditiously handling all claims arising from Operation Enduring Freedom and Operation Iraqi Freedom.
- Continued the development of five new national cemeteries to serve veterans in the areas of Atlanta, Georgia; Detroit, Michigan; Pittsburgh, Pennsylvania; south Florida; and Sacramento, California.
- Began the process to establish six new congressionally mandated cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeastern Pennsylvania.
- Improved the timeliness with which graves were marked in national cemeteries.

Strategic Goal 4

Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

VA will support the public health of the Nation as a whole through medical research and medical education and training, and by serving as a resource in the event of a national emergency or natural disaster. VA will support the socioeconomic well-being of the Nation through the provision of education, vocational rehabilitation, and home loan programs. VA will also preserve the memory and sense of patriotism of the Nation by maintaining our

national cemeteries as national shrines and hosting patriotic and commemorative ceremonies and events.

The following table highlights important VA performance achievements related to Strategic Goal 4 along with estimates of the total resources devoted to this goal and its associated objectives during FY 2004.

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$1,039	1.5%
4.1 Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans as well as support to national, state, and local emergency management and homeland security efforts.	<ul style="list-style-type: none"> • 100 percent of Group 1 emergency preparedness officials received training or, as applicable, participated in exercises relevant to VA's COOP plan on the national level (goal was 85 percent) • 42 percent of Group 2 emergency preparedness officials received training or, as applicable, participated in exercises relevant to VA's COOP plan on the national level (goal was 75 percent) 	<\$1M	<0.1%
4.2 Advance VA medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contribute to the Nation's knowledge of disease and disability.	<ul style="list-style-type: none"> • Increased to 229 the number of Career Development Awardees (goal was 237) 	\$452	0.6%
4.3 Sustain partnerships with the academic community that enhance the quality of care to veterans and provide high-quality educational experiences for health care trainees.	<ul style="list-style-type: none"> • On a scale of 0-100, medical residents and other trainees scored their clinical training experience in VA at 83 (goal was 82) 	\$493	0.7%

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$1,039	1.5%
4.4 Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans' benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.	<ul style="list-style-type: none"> Statutory goal: 23 percent of total procurement dollars to be spent on small business* *Data unavailable due to migration to new reporting system (Federal Procurement Data System—Next Generation)	<\$1M	<0.1%
4.5 Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.	<ul style="list-style-type: none"> Increased the percent of respondents who rated national cemetery appearance as excellent to 98 percent (goal was 98 percent) 	\$94	<0.1%

Performance Summary

While VA's first three strategic goals focus on benefits and services provided directly to veterans and their families, Strategic Goal 4 is broader in scope as it addresses how the Department contributes to the well-being of the country as a whole. VA accomplishes this through emergency preparedness efforts; the medical research program; an education and training program for health profession students and residents; assistance programs devoted to small, disadvantaged, and veteran-owned businesses; and maintaining national cemeteries as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

The following accomplishments demonstrate the progress VA made during FY 2004 in addressing the ultimate aim of Strategic Goal 4:

- Sponsored an independent assessment of more than 100 infrastructure sites that are not only crucial to the continuity of VA operations, but that are also critical to the country's response in times of national emergencies; VA is responding to the vulnerabilities identified during these assessments in order to be

better positioned to respond during disaster threats and other major emergencies.

- Continued a long-standing record of success through a variety of medical research projects that benefit veterans and the general population; among the discoveries made last year were a synthetic compound that reverses bone loss and may lead to new treatments to prevent osteoporosis for millions of people and offer safer alternatives than current hormone treatment protocols.
- Provided clinical training to over 76,000 students from all health profession fields through partnerships with affiliated academic institutions; nearly three of every four physicians receive some portion of their training in VA health care facilities.
- Continued to assist small, disadvantaged, and veteran-owned businesses through the Department's procurement program.
- Sustained its commitment to maintain national cemeteries as national shrines that serve as an expression of the appreciation and respect of a grateful Nation for the service and sacrifice of her veterans; this is evidenced by survey results that showed virtually all family members rated national cemetery appearance as excellent.

Enabling Goal

Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.

VA's enabling goal is different from the four strategic goals. The enabling goal and its corresponding objectives represent crosscutting activities that support all VA organizational units in carrying out the Department's mission. The activities focus on enhancing workforce assets and internal processes, improving communications, and furthering a crosscutting approach to providing seamless service to veterans and their families through an improved governance structure that applies sound business principles. As such, many of these activities are transparent to veterans and their families.

However, they are critical to our stakeholders and VA employees who implement our programs. VA is making efforts to operate as an integrated veteran-centric organization. We will achieve this goal while ensuring full compliance with applicable laws, regulations, financial commitments, and sound business principles.

The following table highlights important VA performance achievements related to the Enabling Goal along with estimates of the total resources devoted to this goal and its associated objectives during FY 2004.

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$898	1.3%
E-1 Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.	<ul style="list-style-type: none"> Increased to 90 percent the proportion of employees who were aware that alternate dispute resolution (ADR) is an option for addressing workplace disputes (goal was 80 percent) Increased to 60 percent the proportion of cases using ADR techniques (goal was 70 percent) 	\$81	0.1%
E-2 Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance as well as the benefits and services VA provides.	<ul style="list-style-type: none"> Increased to 70 percent the participation rate in the monthly Minority Veterans Program Coordinators conference call (goal was 75 percent) Maintained at 30 percent the proportion of funded grants providing services to homeless veterans that are faith-based (goal was 33 percent) 	\$14	<0.1%
E-3 Implement a <i>One VA</i> information technology framework that supports the integration of information across business lines and that provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.	<ul style="list-style-type: none"> Began the process of transforming business lines to achieve a secure veteran-centric delivery process that enables veterans and their families to register and update information, submit claims or inquiries, and obtain status (goal was 2 business lines transformed) 	\$186	0.3%

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Objectives	Performance Results	\$898	1.3%
E-4 Improve the overall governance and performance of VA by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management; acquisition and competitive sourcing; and linking strategic planning, budgeting, and performance planning.	<ul style="list-style-type: none"> • Maintained at 41 percent the ratio of collections to billings (goal was 41 percent) • Achieved a dollar value of sharing agreements with DoD of \$120 million (goal was \$116 million) 	\$616	0.9%

Performance Summary

While not strictly programmatic in nature, VA's Enabling Goal encompasses a wide variety of support functions that create an environment within which the Department's benefits and services may be delivered as effectively and efficiently as possible. This goal deals with many activities that provide the tools necessary to accomplish programmatic objectives, including human resources management, internal and external communication, information technology, financial management, capital asset management, planning, and budgeting.

VA accomplished several initiatives during FY 2004 that helped enable the program offices to achieve their record of success throughout the year. Accomplishments included:

- Increasing internal and external recruitment and retention programs, developing and enhancing education and training programs, and fostering a corporate culture that proactively integrates women, minorities, and people with disabilities into management positions.
- Producing two key publications that helped employees and our stakeholders better understand the current and future priorities for the Department—the *Strategic Plan for Employees* and the *Results Report*.

- Instituting a contact initiative to reach all former prisoners of war not currently using VA benefits to inform them of benefits and services that they may be entitled to receive.
- Establishing the Center for Faith-Based and Community Initiatives that will seek advice from responsible parties within the faith-based and community organizations structure to enhance communication and coordination efforts and optimize resources targeted at the homeless and at-risk veteran populations.
- Making significant progress in the area of cyber security to ensure the integrity, availability, and confidentiality of automated information systems, to include deployment of a Departmentwide anti-virus program; and better protection of VA's information technology infrastructure from external attack through implementation of a plan to collapse the more than 200 VA-wide Internet access points into several national Internet gateways that have hardened security controls and enhanced intrusion detection capabilities.
- Helping ensure accountability for performance through monthly performance reviews involving the Department's senior leaders; these reviews include a continual analysis of financial and program performance, workload, and major construction and information technology projects.